



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-2706
PHONE: (213) 974-8301 FAX: (213) 626-5427

ASST. AUDITOR-CONTROLLERS

WENDY L. WATANABE
ACTING AUDITOR-CONTROLLER

ROBERT A. DAVIS
JOHN NAIMO
MARIA M. OMS

April 22, 2008

TO: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe *Wendy Watanabe*
Acting Auditor-Controller

SUBJECT: **CITY OF COMPTON – COMPTON CAREERLINK CONTRACT – A
COMMUNITY AND SENIOR SERVICES WORKFORCE INVESTMENT
ACT PROGRAM PROVIDER**

We have conducted a program, fiscal and administrative contract review of City of Compton – Compton Careerlink (Compton Careerlink or Agency), a Community and Senior Services (CSS) Workforce Investment Act (WIA) Program provider.

Background

CSS contracts with Compton Careerlink, a government organization to provide and operate the WIA Adult, Dislocated Worker, Rapid Response and Youth Programs. The WIA Adult and Dislocated Worker Programs assist individuals obtain employment, retain their jobs and increase their earnings. The WIA Rapid Response Program provides assistance to companies that are facing a reduction in their work force and assists the soon-to-be dislocated workers cope with career transitions by providing orientation seminars, workshops and materials. The WIA Youth Program is a comprehensive training and employment program for in-school and out-of-school youth ages 14 to 21 years old. Compton Careerlink's office is located in the Second District.

Compton Careerlink was compensated on a cost reimbursement basis and had a contract for \$1,557,482 for Fiscal Year (FY) 2006-07.

Purpose/Methodology

The purpose of the review was to determine whether Compton Careerlink complied with its contract terms and appropriately accounted for and spent WIA funds in providing the services outlined in their County contract. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines. In addition, we interviewed a number of the Agency's staff and clients.

Results of Review

Compton Careerlink billed CSS unallowable and unsupported expenditures. Specifically, Compton Careerlink:

- Overbilled CSS \$51,708 on the Agency's final invoice for FY 2005-06. Subsequent to our review, the Agency agreed to repay \$51,708.
- Billed CSS twice for payroll expenditures incurred in February 2007. The amount overbilled totaled \$24,962. Subsequent to our review, the Agency corrected the duplicate payroll expenditures.
- Billed CSS \$2,500 for November 2006 facility lease expenditure. This amount represented 100% of the monthly lease expenditure for the facility even though Compton Careerlink's other programs also used the facility. The Agency did not provide documentation to support their allocation of the facility lease expenditure which is \$30,000 annually.
- Billed CSS \$4,360 for payments made to a consultant. Compton Careerlink indicated that the consultant was paid based on the number of participants serviced during the period. However, the documentation provided did not always include the names of the participants that received services and the agreement did not indicate the basis for compensation.

Compton Careerlink also did not always provide program services in accordance with WIA guidelines or comply with various County contract requirements. For example:

- Compton Careerlink did not report the program activities on the Job Training Automation system for nine (30%) of the 30 participants sampled.
- Compton Careerlink did not monitor their subcontractors or have adequate policies and procedures for monitoring subcontractors.
- Compton Careerlink did not maintain procedures for the acquisition, transfer and disposal of fixed assets and equipment.

- Compton Careerlink did not conduct a price analysis on purchases of goods and services of \$1,000 or more as required.
- Compton Careerlink's inventory list did not have all the information as required by federal regulations.

Details of our review along with recommendations for corrective action are attached.

Review of Report

We discussed our report with Compton Careerlink and CSS on November 15, 2007. In their attached response, Compton Careerlink disagrees with a number of our findings and recommendations. In instances where the Agency provided the appropriate documentation, we adjusted the findings noted in this report.

Compton Careerlink indicates in their attached response that they did not agree with the \$34,360 (\$30,000 + \$4,360) repayment amount. The report recommends Compton Careerlink to provide documentation to support the amounts charged to CSS and repay CSS for the amounts not related to the WIA programs. Compton Careerlink provided us with a resolution from the City of Compton's City Council approving the lease agreement between the City of Compton and Compton Careerlink. The resolution indicated that the total lease for FY 2006-07 was \$30,000. Because both WIA and non-WIA programs used the facility during the period, the lease expenditure should be allocated by programs. However, the Agency did not provide documentation to support the amount allocated to the WIA programs. Compton Careerlink also did not provide sufficient documentation to support the \$4,360 in consultant expenditures.

In addition, Compton Careerlink's response indicates that staff conduct price analysis for all purchases. However, Agency staff responsible for procuring supplies for the WIA programs indicated during the review that price analyses are not always performed on purchases of \$1,000 or more as required.

Due to the confidential nature and volume of the documents provided, we did not include the attachments submitted by Compton Careerlink. We thank Compton Careerlink for their cooperation and assistance during this review.

Board of Supervisors
April 22, 2008
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Please call me if you have any questions or your staff may contact Don Chadwick at (626) 293-1102.

WLW:MMO:DC

Attachment

c: William T Fujioka, Chief Executive Officer
Cynthia Banks, Director, Department of Community and Senior Services
Barbara Kilroy, City Manager, City of Compton – Compton Careerlink
Public Information Office
Audit Committee
Workforce Investment Board

**WORKFORCE INVESTMENT ACT PROGRAM
CITY OF COMPTON – COMPTON CAREERLINK
FISCAL YEAR 2006-07**

ELIGIBILITY

Objective

Determine whether City of Compton – Compton Careerlink (Compton Careerlink or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

Verification

We sampled 30 (15%) participants (ten from the Adult Program, ten from the Dislocated Worker Program and ten from the Youth Program) from a total of 197 participants that received services between July 2006 and May 2007 and reviewed their case files for documentation to confirm their eligibility for WIA services.

Results

All 30 participants met the eligibility requirements for the WIA programs.

Recommendation

There are no recommendations for this section.

BILLED SERVICES/CLIENT VERIFICATION

Objective

Determine whether the Agency provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the program participants received the billed services.

Verification

We reviewed the documentation contained in the case files for 30 (15%) program participants that received services during July 2006 through May 2007. We also interviewed five Adult and Dislocated Worker participants and three Youth Program participants/guardians.

Results

The eight participants interviewed stated that the services received met their expectations. However, Compton Careerlink did not maintain a certificate of completion

in the participants' case files for two (7%) of the 30 participants sampled to support the training activity reported as being completed on the Job Training Automation (JTA) system. Compton Careerlink also did not report the program activities for nine (30%) of the 30 participants sampled on the JTA system. The JTA system is used by the State of California Employment Development Department and the Department of Labor to track WIA participant activities. This finding was also noted in the prior year's monitoring report.

Recommendations

Compton Careerlink management:

- 1. Maintain adequate supporting documentation in the participants' case files for the program activities reported as completed on the JTA system.**
- 2. Ensure that staff accurately update the JTA system to reflect the participants' program activities within 30 days as required.**

CASH/REVENUE

Objective

Determine whether cash receipts and revenues are properly recorded in the Agency's records and deposited timely in their bank account. Determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed the Agency's February 2007 bank reconciliation.

Results

Compton Careerlink did not adequately prepare their February 2007 bank reconciliation. Specifically, checks that were outstanding for over 180 days were not resolved, the adjusted bank balance did not reconcile to the adjusted book balance and the bank reconciliation was not signed or dated by the preparer or reviewer.

Recommendations

Compton Careerlink management:

- 3. Resolve outstanding checks older than 180 days and return funds to the appropriate funding source.**

4. Investigate and resolve the discrepancies between the adjusted bank balance and the adjusted book balance.
5. Ensure that the bank reconciliations are signed and dated by both the preparer and reviewer.

EXPENDITURES/PROCUREMENT

Objective

Determine whether program related expenditures are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and reviewed documentation for 40 non-payroll expenditure transactions for November 2006, totaling \$34,014.

Results

Compton Careerlink billed CSS \$34,360 in unsupported expenditures. Specifically, Compton Careerlink:

- Did not provide documentation to support the allocation of the facility lease expenditure. The Agency billed the WIA programs \$2,500 for November 2006 facility lease expenditure. This amount represented 100% of the monthly lease expenditure for the facility and other programs also occupied the leased facility. The unsupported facility lease expenditures totaled \$30,000 for July 2006 through June 2007.
- Did not maintain required documentation to support the consultant expenditures billed to CSS. Specifically, the Agency indicated that the consultant was paid based on the number of participants serviced during the period. However, the documentation provided did not always include the names of the participants that received services during the invoice period. The unsupported consultant expenditures totaled \$4,360 for July 2006 through April 2007.

Subsequent to our review, Compton Careerlink provided a copy of the consultant's agreement. However, the consultant's agreement did not indicate the basis for compensation. As such, we could not determine whether the amount paid to the consultant was appropriate.

Recommendations**Compton Careerlink management:**

6. Provide documentation to support the amounts allocated to the WIA programs for the lease (\$30,000) and consultant expenditures (\$4,360) and repay CSS the amounts not related to the WIA programs.
7. Ensure that adequate documentation is maintained to support the program expenditures.

INTERNAL CONTROLS/CONTRACT COMPLIANCE**Objective**

Determine whether the Agency maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit and tested transactions in various non-cash areas such as expenditures, payroll and personnel.

Results

Generally, Compton Careerlink maintained sufficient internal controls over its business operations. However, Compton Careerlink did not always comply with the provisions of their County contract. Specifically, Compton Careerlink did not:

- Monitor or have adequate policies and procedures in place for monitoring the subcontractors. This finding was also noted in the prior year's monitoring report.
- Maintain procedures for the acquisition, transfer and disposal of fixed assets and equipment.
- Conduct a price analysis on purchases of \$1,000 or more for goods and services.
- Submit invoices to the CSS within ten business days after month end. For example, the April 2007 invoice was submitted to CSS on June 7, 2007.

Recommendations**Compton Careerlink management:**

8. Establish policies and procedures for monitoring the subcontractors and ensure that subcontractors are adequately monitored.
9. Establish procedures for the acquisition, transfer and disposal of fixed assets and equipment.
10. Ensure that staff conducts a price analysis on all purchases.
11. Submit invoices to CSS within the established timeframe outlined in the County contract.

FIXED ASSETS AND EQUIPMENT**Objective**

Determine whether Compton Careerlink's fixed assets and equipment purchases made with WIA funds are used for the WIA programs and are safeguarded.

Verification

We conducted a physical inventory of 20 (5%) of the 423 items purchased with WIA funds, totaling \$17,800.

Results

Compton Careerlink used the fixed assets and equipment purchased with WIA funding for the WIA program. In addition, the items were appropriately safeguarded. However, Compton Careerlink's inventory list did not have the required information, such as percentage of federal participation in the cost of the property, purchase order number, location of the property and who holds title to the property as required by federal regulations.

Subsequent to our review, Compton Careerlink updated the inventory listing to include the required information.

Recommendation

12. Compton Careerlink management update their inventory listing to include all the required information such as, the percentage of federal participation in the cost of the property, purchase order number, location of the property and who holds title to the property as required by federal regulations.

PAYROLL AND PERSONNEL

Objective

Determine whether payroll is appropriately charged to the WIA program. In addition, determine whether personnel files are maintained as required.

Verification

We traced payroll expenditures for 12 employees and 15 participants totaling \$70,758 to the payroll records and time reports for February 2007. We also interviewed one employee and reviewed the personnel files for five employees assigned to the WIA program.

Results

Compton Careerlink overbilled the WIA Adult Program \$8,277, the WIA Youth Program \$9,814, Dislocated Worker Program \$6,768 and the WIA Rapid Response Program \$103 in February 2007. According to Agency personnel, staff erroneously entered the payroll data twice into their accounting system. Subsequent to our review, Compton Careerlink credited CSS \$24,962 in their April 2007 invoice. The prior year's monitoring review also noted that the Agency incorrectly billed payroll expenditures to CSS and subsequently corrected their billings.

In addition, Compton Careerlink did not conduct performance evaluations on two (40%) of the five employees sampled. This finding was also noted in the prior year's monitoring review.

Recommendations

Compton Careerlink management:

- 13. Review payroll expenditures for FY 2006-07 to ensure that CSS was not overbilled for any additional months.**
- 14. Conduct annual performance evaluations on all employees.**

COST ALLOCATION PLAN

Objective

Determine whether Compton Careerlink's Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the plan to appropriately allocate program expenditures.

Verification

We reviewed Compton Careerlink's Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency during November 2006 to ensure that the expenditures were properly allocated to the Agency's programs.

Results

As previously indicated, Compton Careerlink inappropriately allocated lease expenditures to the WIA programs.

Recommendation

Refer to Recommendation 6 and 7.

CLOSE-OUT REVIEW**Objective**

Determine whether the Agency's FY 2005-06 final close-out invoice was reconciled to the Agency's financial accounting records.

Verification

We traced the Agency's FY 2005-06 general ledger to the Agency's final close-out invoice for FY 2005-06. We also reviewed prior year's general ledger for any unallowable costs.

Results

Compton Careerlink's FY 2005-06 general ledger did not support the total amount billed to CSS. The amount of unsupported billings for FY 2005-06 totaled \$51,708. A similar finding was also noted in the FY 2003-04 and FY 2004-05 monitoring reports. Compton Careerlink repaid the unsupported billings from FY 2003-04 and FY 2004-05.

Recommendations

Compton Careerlink management:

- 15. Repay CSS \$51,708.**
- 16. Ensure that the Agency's financial records support the amounts billed to CSS.**

PRIOR YEAR FOLLOW-UP**Objective**

Determine the status of the recommendations reported in the prior monitoring review.

Verification

We verified whether the outstanding recommendations from FY 2005-06 monitoring review were implemented. The report was issued on May 9, 2007.

Results

The prior monitoring report contained 14 recommendations. At the time of our review, Compton Careerlink implemented eight recommendations and six recommendations were still outstanding. As previously indicated, the findings related to Recommendations 2, 8, 13, 14 and 16 contained in this report were similar to the findings noted during the prior year's monitoring review. The remaining recommendation required the Agency to locate two missing equipment items. Compton management indicated that they will implement the outstanding recommendations in FY 2007-08.

Recommendation

- 17. Compton Careerlink management implement the outstanding recommendations from FY 2005-06 monitoring report.**



Compton CareerLink
WorkSource California Center

December 26, 2007

Ms. Yoon Bae, CPA
Principal Accountant-Auditor
Department of Auditor-Controller
Countywide Contract Monitoring Division
1000 S. Fremont Avenue, Unit #51
Building A-9 East, First Floor
Alhambra, CA 91803

Dear Ms. Bae:

The following comments are in response to the final report for the City of Compton regarding the monitoring conducted in May 2007:

Billed services/Client Verification

Recommendations

1. Maintain adequate supporting documentation in the participants' case files for the program activities reported as completed on the JTA system
2. Ensure that staff accurately updates the JTA system to reflect the participants' program activities within 30 days as required.

Compton Response:

Compton agrees with recommendations number 1 and 2 and will ensure that staff obtains the appropriate documentation from the participants to support program activities and accurately update the JTA system to reflect the participants' program activities within 30 days as required. A copy of the MIS procedure is attached for review (Attachment A).

Cash/Revenue

Recommendations

3. Resolve outstanding checks older than 180 days and returned funds to the appropriate funding source.
4. Investigate and resolve the discrepancies between the adjusted bank balance and the adjusted book balance.
5. Ensures that the bank reconciliations are signed and dated by both the preparer and reviewer.

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Compton Response:

Compton agrees with recommendation 3 and will reconcile stale-dated checks and return funds to appropriate funding source.

Compton agrees with recommendation 4 and discrepancies are being investigated and resolved. The City will ensure that the adjusted bank balance will equal the adjusted book balance.

Compton agrees with recommendation 5 and adjustments have been made to include a separate preparer and reviewer. The preparer is the accountant and the City Controller is the reviewer.

Expenditures/Procurement

Recommendation

6. Provide documentation to support the amount allocated to the WIA program for the lease and consultant expenditures, and repay CSS for the amounts not related to the WIA programs.
7. Ensure that adequate documentation is maintained to support the program expenditures.

Compton Response:

Compton does not agree with the \$34,360 in unsupported expenditures billed to CSS. City records indicate that the amount billed to CSS for lease expenditures is as follows: WIA Adult Program \$3,603.80, WIA Youth Program \$7,095.00 and WIA Dislocated Program \$1,801.30 totaling \$12,500.10, which is less than the unsupported amount indicated by the auditors. Therefore, Compton does not agree with any repayment amount.

Consultant expenditures in the amount of \$4,360 are all WIA program activities and are supported by contract documents, supporting documents and invoices.

Compton will continue to ensure that adequate documentation is maintained to support the program expenditures.

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Internal Controls/Contract Compliance

Recommendations

8. Establish policies and procedures for monitoring the subcontractors and ensure that subcontractors are adequately monitored.
9. Establish procedures for the acquisition, transfer and disposal of fixed assets and equipment.
10. Ensure that staff conducts a price analysis on all purchases.
11. Submit invoices to CSS within the established timeframe outlined in the County contract.

Compton Response:

Compton agrees with recommendation 8 and has established more formalized procedures for monitoring the subcontractors.

Compton does not agree with recommendation 9. Compton has and will continue to adhere to WIA Bulletin D-DWA-04-024, D-YTH-04-08 Subject: Property-Prior Approval, Purchasing, Inventory and Disposal for the acquisition, transfer and disposal of fixed assets and equipment (Attachment B).

Compton does not agree with recommendation 10, Compton has will continue to conduct price analysis on all purchases. A sample of three bids for the period of May 2007 is attached as an example of Compton's compliance with this procedure (Attachment C).

Compton agrees with recommendation 11. Modifications have been made and Compton will ensure that invoices are submitted within the established timeframe outlined in the County contract.

Fixed Assets and Equipment

Recommendations

12. Compton management update their inventory listing to include all the required information such as, the percentage of Federal participation in the cost of the property, purchase order number, location of the property and who holds title to the property as required by federal regulations.

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Compton Response:

Compton does not agree with recommendation 12. Compton inventory listing was updated prior to May 2007 as requested by CSS. During the May 2007 review, Compton submitted to CSS staff, Compton's equipment and inventory listing with all the required information. The equipment and inventory listing was submitted to the auditors by CSS staff and items were verified during the May 2007 review. Attached is a copy of the listing submitted in May 2007 which indicates all the required information (Attachment D)

Payroll and Personnel

Recommendation:

13. Review payroll expenditures for Fiscal Year 2006-07 to ensure that CSS was not over billed for any additional months.
14. Conduct annual performance evaluations on all employees.

Compton Response:

Compton has reviewed payroll expenditures for Fiscal Year 2006-07 and results indicate that CSS was not over billed for any additional months.

Compton will conduct annual performance evaluations on all employees.

Cost Allocation Plan

Recommendations

(Refer to recommendations 6 and 7)

Compton response:

Compton does not agree with the \$34,360 in unsupported expenditures billed to CSS. City records indicate that the amount billed to CSS for lease expenditures is as follows: WIA Adult Program \$3,603.80, WIA Youth Program \$7,095.00 and WIA Dislocated Program \$1,801.30 totaling \$12,500.10.

Consultant expenditures in the amount of \$4,360 are all WIA program activities and are supported by contract documents, supporting documents and invoices.

Compton will ensure that adequate documentation is maintained to support the program expenditures.

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Close-out Review

Recommendations

15. Compton's FY 2005-06 general ledger did not support the total amount billed to CSS. Repay DCSS \$51,708.
16. Ensure that the Agency's financial records support the amounts billed to CSS.

Compton Response:

Compton agrees with recommendations 15 and 16 and modifications have been made to ensure final closeout invoice is reconciled to Agency's financial accounting records. Compton will repay CSS in the amount of \$51,708.

Prior Year Follow-Up

Recommendation:

17. Compton CareerLink management implement the outstanding recommendations from FY 2005-06 monitoring report.

CareerLink Response:

Compton acknowledges that we were unable to locate the two missing equipment items. Staff has checked all storage areas at the CareerLink facility and looked for the items in the IT (Information Technology) repair room and their storage areas, to no avail. To prevent future items from being unaccounted for, Compton has instituted a procedure to log out all hardware removed from the premises for repair as an inventory control measure. Currently, Compton has in place an inventory procedure to track intra-office movement of all hardware and furniture between the CareerLink and the IT department. (Attachment E).

Management has implemented the outstanding recommendations from FY 2005-06 monitoring report.

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We thank you for your assistance.

A handwritten signature in black ink, appearing to read "Kimberly McKenzie". The signature is fluid and cursive, with the first name being more prominent.

Kimberly McKenzie, Director
Compton CareerLink

Attachments

C: Willie Norfleet – City Controller
Austin Okonta - Accountant
CareerLink Staff
Charles Evans – City Manager
David Hewitt – Assistant City Manager